

**THE ADMINISTRATIVE OFFICES OF THE
EPISCOPAL DIOCESE OF WESTERN
MASSACHUSETTS
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2024 AND 2023

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS**

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LaPier, Dillon & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Diocesan Council of
The Administrative Offices of the
Episcopal Diocese of Western Massachusetts and Affiliate
37 Chestnut Street
Springfield, MA 01103

Qualified Opinion

We have audited the accompanying consolidated financial statements of the Administrative Offices of the Episcopal Diocese of Western Massachusetts and Affiliate (the "Diocese"), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Administrative Offices of the Episcopal Diocese of Western Massachusetts and Affiliate as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 5 to the consolidated financial statements, certain buildings are recorded at management's estimated value; no depreciation is recorded on these buildings. Effective January 1, 1997, the Diocese started capitalizing property and equipment additions at cost and recognizing depreciation. Property and equipment used in operations should be stated at cost and depreciation should be recorded.

The effects on the accompanying consolidated financial statements of the above practice has not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Diocese's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

To the Diocesan Council of
The Administrative Offices of the
Episcopal Diocese of Western Massachusetts and Affiliate
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Report on Summarized Comparative Information

We have previously audited the Administrative Offices of the Episcopal Diocese of Western Massachusetts's 2023 consolidated financial statements, and we expressed a qualified audit opinion on those audited consolidated financial statements in our report dated June 4, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial positions and activities is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Very truly yours,

LaPier, Dillon & Associates P.C.

LaPier, Dillon & Associates, P.C.

June 5, 2025

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Assets		
Cash	\$ 929,562	\$ 883,109
Accounts receivable, net	3,542	10,139
Distribution receivable	416,434	408,078
Prepaid expenses	34,018	29,012
Notes receivable	277,646	308,948
Interest in net assets of the Trustees for the Diocese of Western Massachusetts	34,729,543	33,166,991
Property and equipment, net	843,454	849,062
Beneficial interest in perpetual trust	<u>206,711</u>	<u>191,659</u>
Total assets	<u>\$ 37,440,910</u>	<u>\$ 35,846,998</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 597,980	\$ 21,477
Refundable advances	-	3,472
Agency obligations	21,195	44,507
Amounts held on behalf of others	21,336	23,718
Other postretirement benefit obligations	<u>585,337</u>	<u>558,430</u>
Total liabilities	<u>1,225,848</u>	<u>651,604</u>
Net assets		
Without donor restrictions		
Unrestricted	1,218,489	1,780,616
Unrestricted - board designated	<u>10,779,153</u>	<u>10,019,441</u>
Total net assets without donor restrictions	<u>11,997,642</u>	<u>11,800,057</u>
With donor restrictions		
Time and purpose restricted	19,918,869	19,111,838
Perpetual in nature	<u>4,298,551</u>	<u>4,283,499</u>
Total net assets with donor restrictions	<u>24,217,420</u>	<u>23,395,337</u>
Total net assets	<u>36,215,062</u>	<u>35,195,394</u>
Total liabilities and net assets	<u>\$ 37,440,910</u>	<u>\$ 35,846,998</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Support and revenues				
Common ministry	\$ 1,095,563	\$ -	\$ 1,095,563	\$ 1,091,435
Other income	153,858	15,811	169,669	162,793
Net assets released from restrictions	<u>12,957</u>	<u>(12,957)</u>	<u>-</u>	<u>-</u>
	<u>1,262,378</u>	<u>2,854</u>	<u>1,265,232</u>	<u>1,254,228</u>
Operating expenses				
Program activities				
Agency administration and HR services	189,364	-	189,364	204,349
Bishop's ministry	723,745	-	723,745	713,548
Congregational development	432,410	-	432,410	480,692
Human to Human	192,590	-	192,590	200,572
Leadership development and clergy support	335,584	-	335,584	361,635
Mission in the world	<u>530,506</u>	<u>-</u>	<u>530,506</u>	<u>522,621</u>
Total program activities	<u>2,404,199</u>	<u>-</u>	<u>2,404,199</u>	<u>2,483,417</u>
Supporting services				
Administrative and finance	315,662	-	315,662	302,011
Episcopal missions activity	-	-	-	1
Fundraising and development	100,421	-	100,421	87,981
Governance	<u>205,178</u>	<u>-</u>	<u>205,178</u>	<u>139,429</u>
Total supporting services	<u>621,261</u>	<u>-</u>	<u>621,261</u>	<u>529,422</u>
Total operating expenses	<u>3,025,460</u>	<u>-</u>	<u>3,025,460</u>	<u>3,012,839</u>
Change in net assets before other changes	(1,763,082)	2,854	(1,760,228)	(1,758,611)
Other changes				
Change in net assets of the Trustees for the Diocese of Western Massachusetts - investment activity, net of release of restrictions	1,962,259	804,177	2,766,436	3,008,825
Change in value of beneficial interest in perpetual trusts	-	15,052	15,052	19,745
Gain on sale of assets	598,236	-	598,236	-
Transfer of property and equipment	(572,921)	-	(572,921)	7,523
Adjustment to employee benefit obligations	<u>(26,907)</u>	<u>-</u>	<u>(26,907)</u>	<u>(20,643)</u>
Change in net assets	197,585	822,083	1,019,668	1,256,839
Net assets, beginning of year	<u>11,800,057</u>	<u>23,395,337</u>	<u>35,195,394</u>	<u>33,938,555</u>
Net assets, end of year	<u>\$ 11,997,642</u>	<u>\$ 24,217,420</u>	<u>\$ 36,215,062</u>	<u>\$ 35,195,394</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Program Activities</u>	<u>Supporting Services</u>	<u>2024 Total</u>	<u>2023 Total</u>
Employee compensation and related costs				
Employee salary and payroll taxes	\$ 798,150	\$ 238,106	\$ 1,036,256	\$ 1,001,834
Employee benefits	<u>568,834</u>	<u>95,095</u>	<u>663,929</u>	<u>688,382</u>
	1,366,984	333,201	1,700,185	1,690,216
Other expenses				
Depreciation	10,112	2,466	12,578	12,117
Food and refreshments	10,105	3,337	13,442	20,066
Grants	555,375	-	555,375	561,541
Insurance	12,275	2,992	15,267	13,952
Internet	16,456	4,011	20,467	19,307
Memberships, dues and subscriptions	10,461	-	10,461	11,502
Miscellaneous	2,351	3,247	5,598	2,703
Office supplies	10,046	2,448	12,494	13,071
Postage and delivery	5,336	1,301	6,637	9,982
Printing and binding	18,847	779	19,626	15,648
Professional conferences	22,597	10,580	33,177	24,889
Professional fees	25,315	71,488	96,803	112,698
Professional services and consultants	56,993	90,888	147,881	160,337
Program supplies and expenses	126,635	27,554	154,189	172,602
Rent	68,861	18,354	87,215	84,675
Repairs and maintenance	12,044	2,934	14,978	11,036
Speaker fees and honorariums	3,750	400	4,150	6,100
Telephone	8,496	2,070	10,566	11,166
Travel and meals	<u>61,160</u>	<u>43,211</u>	<u>104,371</u>	<u>59,231</u>
Total operating expenses	<u>\$ 2,404,199</u>	<u>\$ 621,261</u>	<u>\$ 3,025,460</u>	<u>\$ 3,012,839</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 1,019,668	\$ 1,256,839
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	12,578	12,117
Change in net assets of the Trustees	(2,766,436)	(3,008,825)
Change in value of beneficial interest in perpetual trust	(15,052)	(19,745)
Change in employee benefit obligations	26,907	20,643
Changes in operating assets and liabilities:		
Receivables	(1,759)	19,962
Prepaid expenses	(5,006)	(6,021)
Accounts payable and accrued expenses	576,503	(7,787)
Refundable advances	(3,472)	(14,503)
Agency obligations	(23,312)	(44,802)
Amounts held on behalf of others	(2,382)	(19,413)
Net cash used by operating activities	<u>(1,181,763)</u>	<u>(1,811,535)</u>
Cash flows from investing activities		
Purchase of property and equipment	(6,970)	(1,530)
Repayments on note receivable	31,302	44,955
Net cash provided by investing activities	<u>24,332</u>	<u>43,425</u>
Cash flows from financing activities		
Proceeds from/transfers to interest in net assets of the Trustees for the Diocese of Western Massachusetts, net	1,203,884	1,663,767
Net cash provided by financing activities	<u>1,203,884</u>	<u>1,663,767</u>
Net change in cash	46,453	(104,343)
Cash, beginning of year	<u>883,109</u>	<u>987,452</u>
Cash, end of year	<u>\$ 929,562</u>	<u>\$ 883,109</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

1. NATURE OF ACTIVITIES:

The consolidated financial statements of the Administrative Offices of the Episcopal Diocese of Western Massachusetts and Affiliate (the “Diocese”) include the following:

Administrative Offices of the Episcopal Diocese of Western Massachusetts	“EDWMA” was incorporated in accordance with the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts as a religious corporation, for the purpose of the support and advancement of the Christian religion according to the Doctrine, Discipline and Worship of the Protestant Episcopal Church in the United States.
Episcopal Missions of Western Massachusetts	“EMWM” was incorporated in accordance with the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts as a religious corporation created for the purpose of holding all rights, title and interest of “EDWMA” in certain land and buildings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation

The consolidated financial statements include the accounts of the Administrative Offices of the Episcopal Diocese of Western Massachusetts and the Episcopal Missions of Western Massachusetts (collectively known as the “Diocese”). All significant intercompany accounts and transactions have been eliminated.

EDWMA follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) for Not-for-Profit Entities and Consolidation. The standard provides guidance on evaluating the nature of the relationship between entities and reporting requirements.

EDWMA has control over and an economic interest in EMWM as it was organized to hold certain land and buildings of EDWMA. In accordance with FASB ASC standards, the accounts of EMWM are consolidated with EDWMA.

EDWMA provides pastoral and financial oversight for approximately fifty congregations, seeking to carry on Christ’s ministry of transformation and reconciliation in the Western Massachusetts area. In accordance with FASB ASC standards, the accounts of these congregations are not consolidated with EDWMA.

Basis of presentation

The accompanying consolidated financial statements of the Diocese have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Net assets

The Diocese follows the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) *Revenue Recognition* and *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - represent available resources other than donor-restricted resources. Net assets without donor restrictions used for operations represent the ongoing activity of the Diocese, exclusive of certain activities designated by the Diocesan Council (the “Board”). Designated net assets consist of net assets without donor restrictions designated by the Board. Any portion of board-designated funds may be expended with the approval of the Board.
- *Net assets with donor restrictions* – represent net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, and also include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets with donor restrictions also include, under Massachusetts law, cumulative appreciation and reinvested gains on endowment funds restricted perpetually which are subject to prudent appropriation by the Board in accordance with provisions of Massachusetts law.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Support and revenue

The Diocese utilizes the accrual method of accounting whereby revenue is recorded when earned and expenses are recorded when incurred.

Contributions, including unconditional promises to give, are recognized as revenues in the period in which they are earned. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Support and revenue (continued)

Contributions of land, buildings, and equipment are presented as support without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. The Diocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated materials and services

Donated materials are recorded as contributions in the year received at their estimated values at date of receipt if an objective basis is available to measure such values.

Donated services are recorded as contributions when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. No amounts have been reflected in the accompanying consolidated financial statements for donated services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the activities of the Diocese without compensation.

Accounts receivable

Accounts receivable consist of amounts due from the parishes of the Diocese for Common Ministry assessments, outstanding reimbursements for payroll, and insurance transactions conducted by the Diocese on behalf of the parishes. Accounts receivable are recorded at the aggregate unpaid amount less any allowance for doubtful accounts.

The Diocese provides an allowance for uncollectible accounts based on management's evaluation of outstanding accounts receivable. With the approval of the Diocesan Council, amounts are written off against the allowance when collection appears doubtful. No allowance was deemed necessary by management for the years ended December 31, 2024 and 2023.

Distribution receivable

Distribution receivable consists of amounts due from the Trustees for the Diocese's quarterly distribution in accordance with the spending policy (see Note 2 "Interest in net assets of the Trustees for the Diocese of Western Massachusetts").

Interest in net assets of the Trustees for the Diocese of Western Massachusetts

The Diocese recognizes its interest in the net assets of the Trustees in accordance with FASB ASC for *Revenue Recognition: Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The standard requires the Diocese to recognize its interest in the net assets of the Trustees (a financially interrelated organization) and adjust that interest for its share of the change in the Trustees' net assets.

The Trustees is a corporate body established in 1902 expressly for the purpose of receiving, managing, investing and reinvesting, using and disposing of any and all monies or funds, and all real estate or other properties for the use, benefit, support, or promotion of any work, office, official, religious, or charitable institution, or other interests of the Episcopal Church within the Diocese of Western Massachusetts.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Interest in net assets of the Trustees for the Diocese of Western Massachusetts (continued)

The Trustees hold investments, stated at fair value using methodologies as discussed in Note 3, consisting of donor restricted endowment funds and funds functioning as quasi-endowment funds. Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Quasi-endowment funds consist of board designated and donor restricted purpose funds. Board designated funds consist of monies internally designated. Donor restricted purpose funds consist of gifts received with a donor stipulation to be used for a particular purpose, but with no requirement for the funds to be invested in perpetuity and for which a fund was established to function as an endowment.

In addition, the Diocese follows FASB ASC for *Presentation of Financial Statements: Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*. The standard provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) which serves as a model act for states to modernize their laws governing donor restricted endowment funds. The standard also requires additional disclosures about endowments (both donor restricted funds and quasi-endowment funds) for all organizations, including those that are not yet subject to an enacted version of UPMIFA.

The Board and the Trustees have interpreted UPMIFA as requiring unrealized and realized gains and losses (“total return”) of donor restricted endowment funds to be classified as with donor restrictions, absent explicit donor stipulations to the contrary, until appropriated by the Board and expended. Under this interpretation, the historic dollar value of the original gift that establishes a donor restricted endowment fund (and any subsequent gifts) is classified as restricted perpetually.

UPMIFA allows prudent appropriation of the total return on donor restricted endowment funds taking into consideration the Diocese’s long and short-term needs, present and anticipated financial requirements, expected future total return on its investments, price level trends and general economic conditions. Under the applicable spending policy, each quarter up to 5% of the average of the fair value of donor restricted endowment funds at the end of the previous twenty quarters, multiplied by 25%, is appropriated to support current operations. This policy is designed to preserve the value of donor restricted endowment funds in real terms (after inflation) and provide a predictable flow of funds to support operations. Although not required by state law, the same spending policy is followed for the quasi-endowment funds.

The investments held by the Trustees for the benefit of the Diocese are exposed to various risks, such as interest rate, market and credit risk. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the consolidated financial statements.

Property and equipment used in operations

Accounting principles generally accepted in the United States of America require property and equipment used in operations to be recorded at cost less accumulated depreciation. Certain buildings, for which original cost information was not available, have been recorded at management’s estimated value. No depreciation is recorded on these buildings.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Property and equipment used in operations (continued)

Effective January 1, 1997, the Diocese began capitalizing at cost all long-lived assets over \$1,000 and providing for depreciation on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years.

The Diocese charges the cost of maintenance and repairs to expense and capitalizes significant renewals and betterments. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement. Any resulting gain or loss is credited or charged to net assets.

Beneficial interests in perpetual trust

The Diocese retains a beneficial interest in a trust established by a donor and held by an unrelated trustee. Under this arrangement, the Diocese receives investment income from the trust in perpetuity, but does not have access to the principal. The beneficial interest is carried at fair value as disclosed in Note 6. Changes in the carrying amount of the beneficial interest is recognized as an increase or decrease in net assets with donor restrictions.

Amounts invested in the trust are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated, it is possible that changes in the values of these investments could occur in the near term.

Fair value of financial instruments

The carrying values of the Diocese's cash, receivables, payables, and accrued expenses approximated their fair value based on their maturities as of December 31, 2024 and 2023.

Fair value measurements

The Diocese follows *Fair Value Measurements and Disclosures* as required by the FASB ASC. This standard defines fair value, establishes a consistent framework for measuring fair value and expands the related disclosure requirements. The standard also establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Income taxes

The Diocese qualifies as a tax-exempt organization under an exemption received by The Domestic and Foreign Missionary Society of the Protestant Episcopal Church from the Internal Revenue Service. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Allocation of expenses

The costs of providing the various programs and other activities of the Diocese have been summarized on a functional basis in the consolidated statement of functional expenses. Expenses attributable to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort. Accordingly, certain costs have been allocated among activities that benefited. Activities of the Diocese include the following:

- Administrative and Finance oversees and performs the business transactions of the Diocese which includes accounts payable and receivable, financial reporting, audits, canonically required reports, and budgeting.
- Agency Administration and Human Resource Services oversees and performs the human resources functions of the diocesan office including payroll and full benefits administration along with support and advising. In addition, serves as an agency for those functions at the level of congregations related to insurance and property concerns.
- Bishop's Ministry is the role of the Bishop and his ecclesiastical function as president of the Convention, shepherd to the clergy, and administers the sacrament of confirmation.
- Congregational Development provides support, collaboration, and consulting with senior members of the Bishop's staff with a focus on developing healthy, mission focused congregations.
- Fundraising and Development oversees the operation of the fundraising efforts beyond giving to congregations for ministries and programs focused on the humanitarian work of Jesus.
- Governance includes the canonically required functions and activities of a Diocese in the Episcopal Church such as Diocesan and General Convention and benefits for retirees.
- Human to Human is the Diocese's umbrella organization for its humanitarian, non-sectarian programs which address issues of poverty, isolations and addiction. In addition to running the Diocesan programs, grants are offered to parishes doing the same work.
- Leadership Development and Clergy Support oversees and performs the hiring function of ordained people and focuses on leadership development and training for clergy and lay people. Funding is available for group trainings as well as continuing education.
- Mission in the World is the designation for support and collaboration of ministries outside the parishes of the Diocese. Included is the Diocese support for the Episcopal Church, the Mass Council of Churches, and various ministries and programs around the globe.
- Episcopal Missions Activity includes the Episcopal Missions of Western Massachusetts created for the purpose of holding all rights, title and interest in the real estate assets of the Diocese. The expenses related to this area are for legal work and property management and consulting.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Reclassifications

Certain items in the consolidated financial statements for the year ended December 31, 2023 have been reclassified to conform to the 2024 presentation. There was no change to the December 31, 2023 change in net assets as a result of these reclassifications.

Subsequent events

Management has evaluated subsequent events through June 5, 2025, the date which the financial statements were available to be issued and has determined that there were no material events requiring recognition or disclosure.

3. INTEREST IN NET ASSETS OF THE TRUSTEES FOR THE DIOCESE OF WESTERN MASSACHUSETTS:

The Diocese's interest in the net assets of the Trustees consists of approximately 110 individual funds (both donor-restricted funds and funds designated by the Diocese Council to function as endowments, see Note 2) established for a variety of purposes, restricted for the benefit of the Diocese. The Diocesan Council, as the governing Board of the Diocese, is responsible for oversight of its interest in the net assets of the Trustees. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, has been delegated by the Diocesan Council to the Trustees. Investments authorized by the Trustees include high quality, readily marketable equity and fixed income securities, alternative investments and community enterprise loans, whose allocation of assets is specified in the Trustees' Investment Policy Statement.

The investment portfolio, held and managed by the Trustees, consists of an investment pool in which a large number of individual funds (donor restricted endowment funds and funds functioning as quasi-endowment funds) participate in order to benefit from the diversification and economies of scale. The primary investment objective of the investment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future activities. Long term, the total return on the portfolio should equal the rate of inflation, plus the payout rate which is used to support current activities, plus an amount reinvested to support future activities. Thus, the Trustees' desired investment objective is a long-term rate of total return on investments of 6% in excess of the Consumer Price Index. Actual returns in any given year may vary from this objective.

Interest in the net assets of the Trustees with donor restrictions includes cumulative appreciation and reinvested gains on donor restricted endowment funds and donor restricted purpose funds (quasi-endowments) which are subject to donor-imposed stipulations. Perpetually restricted interest in the net assets of the Trustees includes the original contribution on donor restricted endowment funds (historic gift value).

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the historic dollar value of the original gift ("historic gift value"). In accordance with accounting principles generally accepted in the United States of America, the historic gift value of donor restricted endowment funds is classified as with donor restrictions, perpetual in nature, cannot be reduced for any excess losses. Any excess losses shall reduce net assets with donor restrictions, time and purpose restricted. There were no funds underwater as of December 31, 2024 and 2023.

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**3. INTEREST IN NET ASSETS OF THE TRUSTEES FOR THE DIOCESE OF WESTERN MASSACHUSETTS:
(CONTINUED)**

The following schedule summarizes the interest in the net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of financial position at December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated funds	\$ 10,779,153	\$ -	\$ 10,779,153
Donor-restricted purpose funds	-	467,254	467,254
Donor-restricted endowment funds			
Amounts required to be maintained in perpetuity by donor	-	4,091,840	4,091,840
Accumulated investment gains	-	19,391,296	19,391,296
Total	<u>\$ 10,779,153</u>	<u>\$ 23,950,390</u>	<u>\$ 34,729,543</u>

The following schedule summarizes the change in net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of financial position at December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest in net assets of the Trustees, January 1, 2024	\$ 10,019,441	\$ 23,147,550	\$ 33,166,991
Investment results	834,841	1,931,595	2,766,436
Spending policy distributions	(407,665)	(1,128,755)	(1,536,420)
Transfers / other activity	<u>332,536</u>	<u>-</u>	<u>332,536</u>
Interest in net assets of the Trustees, December 31, 2024	<u>\$ 10,779,153</u>	<u>\$ 23,950,390</u>	<u>\$ 34,729,543</u>

The following schedule summarizes the change in net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of activities for the year ended December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrealized and realized gains	\$ 685,751	\$ 1,594,511	\$ 2,280,262
Interest and dividends, net	149,090	337,084	486,174
Release of restrictions	<u>1,127,418</u>	<u>(1,127,418)</u>	<u>-</u>
Change in net assets	<u>\$ 1,962,259</u>	<u>\$ 804,177</u>	<u>\$ 2,766,436</u>

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**3. INTEREST IN NET ASSETS OF THE TRUSTEES FOR THE DIOCESE OF WESTERN MASSACHUSETTS:
(CONTINUED)**

The following schedule summarizes the interest in the net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of financial position at December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated funds	\$ 10,019,441	\$ -	\$ 10,019,441
Donor-restricted purpose funds	-	451,939	451,939
Donor-restricted endowment funds			
Amounts required to be maintained in perpetuity by donor	-	4,091,840	4,091,840
Accumulated investment gains	-	18,603,771	18,603,771
Total	<u>\$ 10,019,441</u>	<u>\$ 23,147,550</u>	<u>\$ 33,166,991</u>

The following schedule summarizes the change in net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of financial position at December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest in the net assets of the Trustees, January 1, 2023	\$ 9,657,591	\$ 22,164,342	\$ 31,821,933
Investment results	910,661	2,098,164	3,008,825
Spending policy distributions	(405,073)	(1,114,956)	(1,520,029)
Transfers / other activity	<u>(143,738)</u>	<u>-</u>	<u>(143,738)</u>
Interest in the net assets of the Trustees, December 31, 2023	<u>\$ 10,019,441</u>	<u>\$ 23,147,550</u>	<u>\$ 33,166,991</u>

The following schedule summarizes the change in net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of activities for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrealized and realized gains	\$ 829,447	\$ 1,912,217	\$ 2,741,664
Interest and dividends, net	81,214	185,947	267,161
Release of restrictions	1,114,962	(1,114,962)	-
Change in net assets	<u>\$ 2,025,623</u>	<u>\$ 983,202</u>	<u>\$ 3,008,825</u>

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**3. INTEREST IN NET ASSETS OF THE TRUSTEES FOR THE DIOCESE OF WESTERN MASSACHUSETTS:
(CONTINUED)**

Approximately 33% of the Diocese's interest in the net assets of the Trustees, consisting of investments, is reported at fair value based on quoted prices in active markets or significant other observable inputs. The remaining percentage of investments (67%) is reported at fair value based on data provided by the external investment managers, updated for capital calls and distributions and other market activity. The investment strategy of the Trustees includes investment vehicles that are structured as limited partnerships (reported at net asset value) versus separate accounts or mutual funds. Approximately 42% of investments are collective trusts that invest in Level 1 holdings priced daily. Certain investment valuations involve appraisals, assumptions, and methods that are reviewed by the Trustees' management. Accordingly, such values may differ from the values that would have been used had a ready market for these investments existed. Such differences could be material.

4. NOTES RECEIVABLE:

As of December 31, notes receivable consisted of the following:

	<u>2024</u>	<u>2023</u>
Note receivable dated January 8, 2014 in the original amount of \$325,000 to be collected in 240 monthly installments due in full January 2034. The initial interest rate is 4.75% per annum; on the fifth, tenth and fifteenth anniversary date the rate will be adjusted to the Federal Home Loan Bank – Boston Amortizing Advance Five Year Rate / 20 year in effect plus 3.5% per annum. The minimum interest during the term of the note will not be less than 4.75% and no individual increase shall be greater than 1.25% over the preceding period. The note is secured by real estate.	\$ 193,247	\$ 207,752
Note receivable dated October 5, 2022 in the original amount of \$50,000 to be collected in 300 monthly installments of \$237, including interest at 3.00% per annum, starting July 2023. All outstanding principal and interest is due June 2048.	47,939	49,323
Note receivable dated October 5, 2022 in the original amount of \$35,620 to be collected in 180 monthly installments of \$198 starting January 2023. All outstanding principal is due December 2037.	30,871	33,245
Note receivable dated August 1, 2022 in the original amount of \$50,000 to be collected in 48 monthly installments of \$1,129, including interest at 4.00% per annum. All outstanding principal and interest is due August 2026.	5,589	18,628
Total notes receivable	\$ <u>277,646</u>	<u>308,948</u>

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4. NOTES RECEIVABLE: (CONTINUED)

Future maturities of the notes receivable are as follows:

<u>For the Year Ending December 31</u>	
2025	\$ 24,804
2026	20,414
2027	21,701
2028	23,082
2029	24,564
Thereafter	163,081
Total	\$ <u>277,646</u>

The notes receivable are stated at the unpaid principal balances. No allowance was deemed necessary by management as of December 31, 2024 and 2023.

5. PROPERTY AND EQUIPMENT:

Accounting principles generally accepted in the United States of America require property and equipment used in operations to be recorded at cost less accumulated depreciation. The Diocese's consolidated financial statements do not conform with accounting principles generally accepted in the United States of America. The independent auditor's opinion has been qualified as a result of this departure (see Independent Auditor's Report).

Property and equipment used in operations

Property and equipment used in operations consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Buildings and improvements		
Buildings reported at management's estimated value	\$ 750,000	\$ 750,000
Buildings reported at cost	50,000	50,000
Building improvements reported at cost	89,583	89,583
Total buildings and improvements	<u>889,583</u>	<u>889,583</u>
Equipment	67,988	61,018
Furniture and fixtures	22,099	22,099
Vehicle	32,467	32,467
	<u>1,012,137</u>	<u>1,005,167</u>
Accumulated depreciation	(168,683)	(156,105)
Property and equipment used in operations, net	<u>\$ 843,454</u>	<u>\$ 849,062</u>

Depreciation expense for the years ended December 31, 2024 and 2023 totaled \$12,578 and \$12,117, respectively.

Buildings reported at management's estimated value consisted of the following at December 31, 2024 and 2023:

Mission Churches

Ashfield (St. John's)

Lenox (St. Helena's)

Millville (St. John's)

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6. BENEFICIAL INTEREST IN PERPETUAL TRUST:

The Diocese is the beneficiary of the following perpetual trust held by a third party at December 31:

	<u>2024</u>	<u>2023</u>
Elsa P Stickney Fund	\$ <u>206,711</u>	\$ <u>191,659</u>

Interest and dividend income is remitted to the Diocese in accordance with the trust agreement. The change in the value of the Diocese's beneficial interests in perpetual trusts totaled \$15,052 and \$19,745 for the years ended December 31, 2024 and 2023, respectively, and has been reported as an increase in net assets with donor restrictions in the accompanying statement of activities.

7. LINE OF CREDIT:

The Diocese maintains a demand line of credit with a financial institution with interest calculated from the date of each advance, until repayment of each advance, at the Wall Street Journal prime rate (7.50% and 8.50% at December 31, 2024 and 2023, respectively), but not less than 3.00% per annum. The line of credit includes covenants that a certain investment fund held by the Trustees for the Diocese of Western Massachusetts does not drop below \$1,000,000, and that the Diocese maintain a minimum of \$7,000,000 in net assets without donor restrictions.

This line of credit provides maximum borrowings reduced by any advance converted to a term note by the Diocese on behalf of a parish or mission. All advances converted from the line of credit result in an amendment to the line of credit, reducing the availability of the maximum borrowings, and a term note in the name of the Diocese for the amount advanced. At the same time, a note receivable is issued between the Diocese and the applicable parish or mission under identical terms; the applicable parish or mission makes all interest and principal payments, as invoiced directly from the financial institution. As the notes between the financial institution and the Diocese are offset by notes between the Diocese and the applicable parish or mission, the activity is netted on the financial statements.

The following summarizes the activity as of December 31:

	<u>2024</u>	<u>2023</u>
Original maximum borrowings including term notes	\$ 1,000,000	\$ 1,150,000
Advance converted to term note (original amount)	<u>-</u>	<u>(150,000)</u>
Maximum borrowings as of year end	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>

The amount due on the converted term note as of December 31, 2023 totaled approximately \$106,700 at a fixed interest rate (at 4.25%). The term note was paid off during 2024.

There were no amounts outstanding on the available line of credit as of December 31, 2024 and 2023.

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8. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS:

Defined contribution pension plan

The Diocese participates in the Episcopal Church Lay Employees' Defined Contribution Retirement Plan. The employees may voluntarily contribute a portion of their salary in addition to the amount contributed by the Diocese (currently 12% of annual salary). Expense under the plan totaled approximately \$60,600 and \$57,500 for the years ended December 31, 2024 and 2023, respectively.

Multiemployer clergy pension plan

The Diocese, on behalf of its clerics, is required to participate (18% assessment rate on a cleric's total assessable compensation) in the Church Pension Fund, a multiemployer defined benefit pension plan. Expenses under the plan totaled approximately \$111,000 and \$107,000 for the years ended December 31, 2024 and 2023, respectively. The Diocese's position with respect to the multiemployer plan is not readily determinable. The Church Pension Group which administers the clergy pension system is 100% funded as of the most recent financial statements.

The risks of participating in these multiemployer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if an organization chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan. In connection with ongoing renegotiation of participation agreements, an organization may discuss and negotiate for the complete or partial withdrawal from the multiemployer pension plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Diocese's consolidated change in net assets in the period of the withdrawal. The Diocese has no plans to withdraw from the multiemployer clergy pension plan.

Other postretirement benefits

Accounting principles generally accepted in the United States of America requires organizations to recognize the over-funded or under-funded status of defined benefit pension and other postretirement plans as assets or liabilities on their statement of financial position in accordance with FASB ASC *Compensation – Retirement Benefits: Defined Benefit Plans – Other Postretirement*. In addition, changes in the funded status must be recognized through the consolidated statement of activities in the year in which the changes occur and requires additional disclosures. The Diocese's consolidated financial statements do not conform with accounting principles generally accepted in the United States of America. The independent auditor's opinion has been qualified as a result of this departure (see Independent Auditor's Report). Management and the Board have chosen to update actuarial reports for the applicable plans once every five years, an exception qualifying the independent auditor's report.

The Diocese sponsors a postretirement health care and life insurance plan covering employees who have met certain eligibility requirements. The health care plan is contributory based on the length of service of the employee, and the life insurance plan is 100% paid by the Diocese. The Diocese funds premium payments for current retirees only. Other postretirement benefits paid for each of the years ended December 31, 2024 and 2023 totaled approximately \$26,600 and \$24,300, respectively.

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8. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS: (CONTINUED)

Other postretirement benefits (continued)

The other postretirement benefit obligations is based on actuarial assumptions at December 31, 2022 (the most recently completed actuarial analysis).

The change in funded status for the years ended December 31, 2024 and 2023 was recognized through the statement of activities and totaled \$26,907 and \$20,643, respectively, increasing the other postretirement benefit obligations to \$585,337 and \$558,430, respectively. The change in funded status was based on the accumulated postretirement benefit obligation (APBO) as calculated in the December 31, 2022 actuarial analysis.

Expected annual benefit payments per the actuarial analysis report as of December 31, 2022 are as follows:

<u>For the Year Ending December 31</u>	
2025	\$ 28,735
2026	31,288
2027	31,758
2028 – 2032	169,337

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial cost method	Projected Unit Credit
Discount rate	5.00% per annum (previously 3.25%)
Healthcare trend rates	9.00% per annum (previously 4.50%)
General inflation assumption	2.75% per annum
Compensation increases	3.00% per annum

The healthcare cost trend rate assumption has a significant impact on the postretirement benefit costs and obligations. In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the actuarial accrued liability would increase from \$537,787 to \$588,220 as of December 31, 2022. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the actuarial accrued liability would decrease from \$537,787 to \$454,848 as of December 31, 2022.

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9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets held at December 31 with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Time and purpose restricted		
Religious and charitable purposes	\$ 17,542,354	\$ 16,885,403
Other purposes	1,376,843	1,310,911
Aged clergy	457,067	437,670
Scholarships	542,605	477,854
	<u>\$ 19,918,869</u>	<u>\$ 19,111,838</u>
Perpetual in nature		
Religious and charitable purposes	\$ 2,706,182	\$ 2,691,130
Other purposes	124,204	124,204
Aged clergy	134,730	134,730
Scholarships	1,333,435	1,333,435
	<u>\$ 4,298,551</u>	<u>\$ 4,283,499</u>

Other purposes include, but are not limited to, net assets with donor restrictions for clergy salaries, relief for widows and orphans, assistance for children, and missionary work. Net assets with donor restrictions, purpose and time restricted, consist of an interest in the net assets of the Trustees, distributions receivable from the Trustees, and cash. Releases of the interest in the net assets of the Trustees are shown as part of the change in net assets of the Trustees (see Note 3).

Net assets were released from donor restrictions during the year ended December 31, 2024 by satisfying the following restrictions:

Young Adult Ministry	\$ 3,472
Other	9,485
Total releases	<u>\$ 12,957</u>

10. FAIR VALUE MEASUREMENTS:

There were no changes in the valuation techniques during the current year. The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Diocese believes its valuation methods are appropriate and consistent with others, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the report date. The Board reviews and approves the Diocese's fair value measurement policies and procedures. At least annually the Board determines if the valuation techniques used in fair value measurements are still appropriate.

The Diocese recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

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10. FAIR VALUE MEASUREMENTS: (CONTINUED)

Assets measured at fair value on a recurring basis were as follows:

Assets at	Total	Level 1	Level 2	Level 3
December 31, 2024				
Interest in the net assets of the Trustees	\$ 34,729,543	\$ -	\$ -	\$ 34,729,543
Long-lived assets held and used	750,000	-	-	750,000
Beneficial interest in perpetual trust	206,711	-	-	206,711
	<u>\$ 35,686,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,686,254</u>
December 31, 2023				
Interest in the net assets of the Trustees	\$ 33,166,991	\$ -	\$ -	\$ 33,166,991
Long-lived assets held and used	750,000	-	-	750,000
Beneficial interest in perpetual trust	191,659	-	-	191,659
	<u>\$ 34,108,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,108,650</u>

Interest in net assets of the Trustees for the Diocese of Western Massachusetts

The Diocese's investments are held by the Trustees for the Diocese of Western Massachusetts and are stated at fair value using methodologies as discussed in Note 3. The interest in the net assets held by the Trustees consists of an investment pool in which a large number of individual funds participate in order to benefit from the diversification and economies of scale. The Diocese owns an interest in the net assets of the Trustees and not the underlying individual investments (owns a unit of the investment pool). The fair value of its interest is considered a Level 3 input as its value is not supported by observable inputs. However, the underlying individual investments held by the Trustees on behalf of the Diocese and other organizations consist of approximately 75% values based on Level 1 and 2 inputs (per the investment policy and prior year audited financial statements of the Trustees).

Long-lived assets held and used

Certain buildings, for which original cost information was not available, have been recorded at management's estimated value. No depreciation is recorded on these buildings.

Beneficial interests in perpetual trusts

Beneficial interests in perpetual trusts are valued based on the present value of the expected cash flows.

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10. FAIR VALUE MEASUREMENTS: (CONTINUED)

The following schedule reconciles fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2024 and 2023:

	<u>Total</u>	<u>Interest in the net assets of the Trustees</u>	<u>Long-lived assets held and used</u>	<u>Beneficial interest in perpetual trust</u>
Balance, December 31, 2022	\$ 32,743,847	\$ 31,821,933	\$ 750,000	\$ 171,914
Change in value	2,761,409	2,741,664	-	19,745
Purchases, issuances, and settlements	<u>(1,396,606)</u>	<u>(1,396,606)</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2023	34,108,650	33,166,991	750,000	191,659
Change in value	2,295,314	2,280,262	-	15,052
Purchases, issuances and settlements	<u>(717,710)</u>	<u>(717,710)</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2024	<u>\$ 35,686,254</u>	<u>\$ 34,729,543</u>	<u>\$ 750,000</u>	<u>\$ 206,711</u>

Total activity for the period included on the consolidated statement of activities, related to Level 3 assets held at:

December 31, 2024	\$ 2,781,488	\$ 2,766,436	\$ -	\$ 15,052
December 31, 2023	\$ 3,028,570	\$ 3,008,825	\$ -	\$ 19,745

11. CONDITIONAL GRANTS:

Funds received in advance are recorded as refundable advances on the consolidated statement of financial position; and will be subsequently recognized as support (other income) on the consolidated statement of activities when donor conditions are met.

The Diocese received a grant with total possible funding of \$28,278 for the year ended December 31, 2022, conditional based upon meeting certain objectives. The Diocese met the conditions and recognized grant revenue on the statement of activities in the amount of \$3,472, \$14,503 and \$10,303 for the years ended December 31, 2024, 2023 and 2022, respectively.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

12. AVAILABLE RESOURCES AND LIQUIDITY

The Diocese regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The following represents the Diocese's financial assets at December 31, 2024:

Financial assets at year end:	
Cash	\$ 929,562
Receivables	697,622
Investments	34,729,543
Total financial assets	<u>36,356,727</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions – time and purpose	19,918,869
Net assets with donor restrictions – perpetual	4,091,840
Board designated endowment funds	10,779,153
Long-term receivables	252,842
	<u>35,042,704</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>1,314,023</u>

The Diocese's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Diocese's Board designated endowment funds of \$10,779,153 is subject to the spending policy as described in Note 2. Although the Diocese does not intend to spend from its Board designated endowments (other than amounts appropriated for general expenditures as part of the Diocese's annual budget approval and appropriation), these amounts could be made available if necessary.

13. CONCENTRATIONS OF CREDIT RISK:

The Diocese maintains cash balances at a financial institution in Western Massachusetts. At times, the Diocese's cash balances may temporarily exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits, thus exposing the Diocese to some concentration of credit risk. The Diocese has not experienced any losses on its accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes the Diocese is not exposed to any significant concentration of credit risk on cash.

The Diocese also has an interest in the net assets of the Trustees (see Note 3). The Trustees invest the majority of its assets in investments. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of activities and changes in net assets.

**THE ADMINISTRATIVE OFFICES OF THE
EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS
AND AFFILIATE**

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024 AND 2023

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

				2024	2023
				Diocese	Diocese
	EDWMA	EMWM	Consolidating	Total	Total
ASSETS					
Assets					
Cash	\$ 647,990	\$ 281,572	\$ -	\$ 929,562	\$ 883,109
Accounts receivable, net	3,542	-	-	3,542	10,139
Distribution receivable	416,434	-	-	416,434	408,078
Prepaid expenses	34,018	-	-	34,018	29,012
Notes receivable	30,871	246,775	-	277,646	308,948
Interest in net assets of the Trustees for the Diocese of Western Massachusetts	34,729,543	-	-	34,729,543	33,166,991
Property and equipment, net	93,454	750,000	-	843,454	849,062
Beneficial interest in perpetual trust	<u>206,711</u>	<u>-</u>	<u>-</u>	<u>206,711</u>	<u>191,659</u>
Total assets	<u>\$ 36,162,563</u>	<u>\$ 1,278,347</u>	<u>\$ -</u>	<u>\$ 37,440,910</u>	<u>\$ 35,846,998</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 597,980	\$ -	\$ -	\$ 597,980	\$ 21,477
Refundable advances	-	-	-	-	3,472
Agency obligations	21,195	-	-	21,195	44,507
Amounts held on behalf of others	21,336	-	-	21,336	23,718
Other postretirement benefit obligations	<u>585,337</u>	<u>-</u>	<u>-</u>	<u>585,337</u>	<u>558,430</u>
Total liabilities	<u>1,225,848</u>	<u>-</u>	<u>-</u>	<u>1,225,848</u>	<u>651,604</u>
Net assets					
Without donor restrictions					
Unrestricted	(59,858)	1,278,347	-	1,218,489	1,780,616
Unrestricted - board designated	10,779,153	-	-	10,779,153	10,019,441
With donor restrictions					
Time and purpose restricted	19,918,869	-	-	19,918,869	19,111,838
Perpetual in nature	<u>4,298,551</u>	<u>-</u>	<u>-</u>	<u>4,298,551</u>	<u>4,283,499</u>
Total net assets	<u>34,936,715</u>	<u>1,278,347</u>	<u>-</u>	<u>36,215,062</u>	<u>35,195,394</u>
Total liabilities and net assets	<u>\$ 36,162,563</u>	<u>\$ 1,278,347</u>	<u>\$ -</u>	<u>\$ 37,440,910</u>	<u>\$ 35,846,998</u>

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE
OF WESTERN MASSACHUSETTS AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2023**

	EDWMA	EMWM	Consolidating	2024 Diocese Total	2023 Diocese Total
Support and revenues					
Common ministry	\$ 1,095,563	\$ -	\$ -	\$ 1,095,563	\$ 1,091,435
Other income	<u>153,272</u>	<u>16,397</u>	<u>-</u>	<u>169,669</u>	<u>162,793</u>
	<u>1,248,835</u>	<u>16,397</u>	<u>-</u>	<u>1,265,232</u>	<u>1,254,228</u>
Operating expenses					
Program activities					
Agency administration and HR services	189,364	-	-	189,364	204,349
Bishop's ministry	723,745	-	-	723,745	713,548
Congregational development	432,410	-	-	432,410	480,692
Human to Human	192,590	-	-	192,590	200,572
Leadership development and clergy support	335,584	-	-	335,584	361,635
Mission in the world	<u>530,506</u>	<u>-</u>	<u>-</u>	<u>530,506</u>	<u>522,621</u>
Total program activities	<u>2,404,199</u>	<u>-</u>	<u>-</u>	<u>2,404,199</u>	<u>2,483,417</u>
Supporting services					
Administrative and finance	315,662	-	-	315,662	302,011
Episcopal missions activity	-	-	-	-	1
Fundraising and development	100,421	-	-	100,421	87,981
Governance	<u>205,178</u>	<u>-</u>	<u>-</u>	<u>205,178</u>	<u>139,429</u>
	<u>621,261</u>	<u>-</u>	<u>-</u>	<u>621,261</u>	<u>529,422</u>
Total operating expenses	<u>3,025,460</u>	<u>-</u>	<u>-</u>	<u>3,025,460</u>	<u>3,012,839</u>
Change in net assets before other changes	(1,776,625)	16,397	-	(1,760,228)	(1,758,611)
Other changes					
Change in net assets of the Trustees for the Diocese of Western Massachusetts - investment activity net of release of restrictions	2,766,436	-	-	2,766,436	3,008,825
Change in value of beneficial interest in perpetual trust	15,052	-	-	15,052	19,745
Gain on sale of assets	-	598,236	-	598,236	-
Transfer of property and equipment	37,816	(610,737)	-	(572,921)	7,523
Adjustment to employee benefit obligations	<u>(26,907)</u>	<u>-</u>	<u>-</u>	<u>(26,907)</u>	<u>(20,643)</u>
Change in net assets	1,015,772	3,896	-	1,019,668	1,256,839
Net assets, beginning of year	<u>33,920,943</u>	<u>1,274,451</u>	<u>-</u>	<u>35,195,394</u>	<u>33,938,555</u>
Net assets, end of year	<u>\$ 34,936,715</u>	<u>\$ 1,278,347</u>	<u>\$ -</u>	<u>\$ 36,215,062</u>	<u>\$ 35,195,394</u>